

FROM THE INTERVIEW
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Pipeline Ban Was Doomed From the Start

President Reagan's pipeline embargo was doomed from the start. The Russians, in league with our West European allies—the French, West Germans and Italians—outmaneuvered the White House at every step of the year-long international power play.

Soviet trade officials brought unprecedented pressure on the West Europeans, who of course were not all that reluctant to make a few million francs, marks or lire by undercutting the Reagan administration's sanctions.

The evidence—secret contracts signed by European companies to sell the Soviets the machines and material they needed to build the pipeline that will bring Siberian natural gas to Western Europe—has been seen by my associate Dale Van Atta. White House and intelligence sources provided details of the Kremlin's successful strategy. Here's the story:

The Russians knew they would need the superior western equipment to build the pipeline. They also knew that a U.S. embargo would be the likely response to a Soviet crack-

down in Poland. But the Polish situation was getting dangerously out of hand in the late summer and fall of 1981.

So the Soviets had to make sure of their pipeline supplies from the West before they took action in Poland that might lead to a U.S. embargo. They met their deadline—just barely.

On Oct. 22, 1981, the Soviet purchasing agency, Machinimport, announced a contract with the French firm of Alsthom-Atlantique for 40 spare General Electric rotors. Ronald Reagan's one-time employer makes the best rotors in the world, and the Soviets were obviously hedging their bets against a U.S. embargo that would block the GE equipment at its source.

In November and early December, while the situation in Poland continued to deteriorate, the Russians worked frantically to get their final contracts with the West signed. Representatives of Creusot-Loire, another French company, arrived in Moscow for high-level negotiations for \$250 million worth of chiller plants on Dec. 12. On Dec. 13, martial law was declared in Poland.

On Dec. 14, the negotiations with Creusot-Loire were successfully concluded. Two weeks later, as the Russians had guessed, Reagan announced the embargo on sales of pipeline equipment to the Soviet Union.

As the White House soon learned,

it was too late. So in June, at the economic summit in Versailles, Reagan made an impassioned plea to the allied leaders to support the U.S. sanctions. Then-chancellor Helmut Schmidt of West Germany didn't even look at Reagan, but gazed out the window at the gardens.

When the allied leaders wouldn't support the U.S. position, a furious Reagan responded later that month by extending the embargo to European affiliates of American companies. But here, too, the Russians were way ahead of him.

Two things had happened.

First, the Soviets had insisted on dealing directly with subcontractors. This meant the Russians would be able to apply penalties for non-delivery directly on the subcontractors, who could thus be counted on to add their weight to the anti-embargo lobbying effort.

Even more important was the Russians' insistence on rewriting the so-called "force majeure" contract clause that absolves a supplier of responsibility if it is prevented from delivery by "prohibition of export or import, or any other circumstances beyond the reasonable control of the parties"

The standard reference to "prohibition of export" or other governmental action was deleted. In fact, the contract went further and required the supplier to offer the Russians alternatives if export licenses couldn't be obtained.